There is a reason for a committee system in the Congress, and that is to work through committees to develop a proposal, and bring that proposal to the floor of the Senate. I would be very disappointed if the majority leader intends one way or the other to bring a piece of legislation to the floor which is vastly different than that which was passed out of the Senate Commerce Committee.

Again, I know there is a tremendous amount of lobbying going on in this town and around the country by the tobacco industry to try to resist and fight this kind of tobacco legislation. I understand that and I understand why they are doing that. Literally hundreds of millions—billions of dollars, hundreds of billions of dollars are at stake. But we must, it seems to me, in discharging our responsibility, pass a comprehensive tobacco bill. A good start in doing that would be to take the piece of legislation that we have drafted and marked up in the Senate Commerce Committee and bring that to the floor of the U.S. Senate.

In response, I think, to the aggressive initiative around this country by the tobacco industry, some are saying, ''Maybe we ought to back off. Maybe we ought to not be quite as aggressive.''

The fact is the origin of the tobacco legislation comes from our determination to see that this industry stops targeting America's children. And if someone thinks that they have not targeted America's children, then I say read the evidence. The Supreme Court has just ruled in a manner that requires thousands of pages of evidence to be disclosed. That evidence from the tobacco industry itself demonstrates that the only source of new smokers has been to addict America's children.

Smoking is legal. Tobacco use is legal, and will remain legal in this country. But it is not legal and should not be legal to attempt to addict America's children. That is why a comprehensive tobacco bill needs to be brought to the floor of the Senate. I urge the majority leader in the strongest terms possible to use the process that we have started here in the Senate, bring to the floor the piece of legislation I and others, with the leadership of Senator MCCAIN, have developed, and use that as a starting point on the Senate floor to deal with comprehensive tobacco legislation.

INTERNAL REVENUE SERVICE RESTRUCTURING AND REFORM ACT OF 1998

The Senate continued with the consideration of the bill.

Mr. DORGAN. Mr. President, the agenda for the Senate this week will be to discuss the bill that deals with the Internal Revenue Service. Among other things, this piece of legislation creates an Internal Revenue Service oversight board to help take a look at the management of various things with respect to the running of the IRS.

I spoke last week about hearings on IRS misconduct and abuse. I indicated that, while I think the IRS has many good people who work very hard to collect the taxes that our laws require to be collected in this country, it is clear from the hearings that there have also been abuses that ought never be tolerated. I commend the Chairman for holding last week's hearings. We must use these hearings as the occasion to understand what went wrong and make sure it never goes wrong again. The American people don't ever deserve an IRS that is not fully accountable and an IRS that in some cases will harass and badger taxpayers in ways disclosed during the hearings last week.

Let me just tackle one other aspect of the Internal Revenue Code and the behavior of the IRS. The IRS is required to collect the taxes needed to run the Government. Now the question is from whom does the IRS collect the amounts that are due? The people who go to work every day? The families that make a salary at work, and when they earn that salary, they have withholding taken out of their paychecks. Their taxes are sent to the U.S. Government. They don't have a choice. There is no flexibility. They work, they receive a paycheck, and they have withholding.

But there are others doing business in America that are not quite so compliant. We need an IRS that cares about what they are doing as well and makes sure they pay their fair share of the tax load in this country. Let me give you an example. In a recent year, we had a study completed by the General Accounting Office (GAO), the investigative watchdog of Congress. One of the GAO's main findings was that 46 percent of the largest foreign-based multinational firms—that is, firms with over $100 million in assets—are transacting hundreds of billions of dollars of business in this country and paying zero in income taxes to our country. That is right—not 10 percent or 5 percent or 1 percent, they paid zero in income taxes to this country.

Now how, you ask, would a company based overseas do business in America, do tens of billions of dollars' worth of business, earn billions of dollars' worth of profit and pay zero in taxes? I mentioned 46 percent of the largest companies with over $100 million in assets paid no taxes; 74 percent of all foreign-based corporations in the U.S. paid nothing, zero, in Federal income taxes. Let me say that again: 74 percent of all foreign-based corporations doing business in the United States paid zero in Federal income taxes to this country. How do they do it? Something called transfer pricing.

It is not only the foreign-based corporations, incidentally, that have a problem here. Most corporations that are doing business all around the globe are finding ways to minimize their tax burden through transfer pricing. Of course, not all of them do that. Many corporations pay exactly what they owe and do the best job they can of accounting for it.

But transfer pricing means that you overprice an import into the United States in order to inflate the cost of goods sold, and therefore reduce, if not wipe out, their profit here. Or the alternative would be to underprice something you are exporting to another country in order that your subsidiary in the other country earns a very large income which would be subject low or no taxes in the other country. Because you priced it so low as you exported it here in this country, you end up making no money.

Let me give you an example of how this works. There are a couple of professors employed at Florida International University. Their names are Simon Pak and John Zdanowicz. I have met them. They have done a lot of interesting work on the issue of transfer pricing. It is a Byzantine, complicated area of tax law, so complicated that very few people pay any attention to it. Yet billions and billions of dollars of tax avoidance occur every single year. ''U.S. Government is Cheated out of $42.6 Billion in Tax Revenues in 1997, Study Reveals.'' Pak and Zdanowicz recently released a study showing a conservative estimate of tax loss during 1997 due to abnormal pricing in international trade was $42.6 billion.

Let me give some examples. Tweezers—everybody knows what tweezers are. Tweezers are tiny little things you buy at the drugstore for $1, $2, or $3. Tweezers were imported from Switzerland at $218 each. Now, did somebody really pay $218 for a pair of tweezers? Sure—a U.S. subsidiary of a foreign-based corporation. The foreign-based corporation sells the tweezers at $218 apiece, and they are a controlled U.S. subsidiary. They can never, ever make a profit, if they so desire. So whatever that corporation decides to do in the United States, they control their pricing back and forth. They will do a lot of business, make a lot of profit, but by overpricing tweezers to the tune of $218 apiece, they will never pay an income tax to the U.S. Government.

So they can come here and they can compete against a U.S. business that doesn't do business in 10 countries, just does business here, and when they make a profit, they must pay a tax.

How about bulldozers? Everybody knows what a bulldozer is. You drive down the road and see a construction project, you can identify a bulldozer at first glance. It is one of the biggest things you will see. Bulldozers exported to Belize for $551. Does anybody know where you can buy a $551 bulldozer?

Let me go through some of the rest of the examples. Safety razor blades, $13 a piece. Television antennas—everybody knows what a television antenna is—$1,738 from the United Kingdom. Venetian blinds—most everybody has priced venetian blinds at some point. This would be a company that sold venetian blinds abroad and sold them at a price that guarantees they can't make a profit here. They do it through controlled companies, so it is not real, just the way they price their transactions. Venetian blinds, 3 cents. How about a toothbrush for $18? Or better yet, a tractor tire shipped to France for $7.65?

All of this represents tax avoidance in sophisticated swindles designed to prevent the U.S. Government from taxing a profit as they would do with a domestic corporation.

The reason I mention all of this sophisticated tax avoidance that is that it is almost impossible to detect. When you have companies—a company wanting to do business in this country, in most cases it will be a large foreign-based corporation that creates a U.S. subsidiary.

They will do business with their own subsidiary. And to try to construct their transactions back to some reasonable market prices is like trying to connect two plates of spaghetti together. It is impossible. Yet, that is what the IRS is attempting to do. It doesn't do very well; can't do very well. Enforcement here is abysmal. In fact, depending on who you ask, the tax avoidance per year is $40 billion, some say $25 billion, and some say $15 billion. There has been a study that says $4 billion and the IRS says only $1 billion. What is the truth? The truth is that it is far more than $1 billion or $4 billion that the IRS and Treasury are talking about. It is far closer to the numbers put together by Professors Pak and Zdanowicz.

Well, I will speak more about the amendment at some point during this week when I offer it. The amendment I will offer is very simple.

The amendment I will offer is to say the newly established IRS Oversight Board will review whether the IRS has the resources needed to prevent tax avoidance by companies using unlawful transfer pricing methods. In order to enable the board to carry out this duty, IRS shall conduct a study relating to its enforcement of transfer pricing abuses by multinational companies. Specifically, the IRS will review the effectiveness of current enforcement tools used by the IRS to ensure compliance under Section 482 of the Internal Revenue Code and determine the scope of nonpayment of U.S. taxes caused by both foreign and U.S.-based multinational firms operating in the United States.

Then the Board will report back to Congress its findings on the IRS enforcement of transfer pricing abuses and make recommendations for improving IRS enforcement tools.

I understand what the response to this is by corporations who are engaged in tax avoidance by transfer pricing. I understand what the response is by the Treasury Department and the Internal Revenue Service. Corporations will say: Well, none of this goes on, this doesn't happen. The Internal Revenue Service and the Treasury Department will say: It happens, but we have done such a great job there is very little tax avoidance.

But, of course, neither is true. The fact is that we have a very serious problem in this area, one that needs to be corrected, and it will not be corrected with the current enforcement method used by the Internal Revenue Service and the Treasury Department. As we talk now about how to recast the Internal Revenue Service, develop new procedures, develop new protections for taxpayers, develop an IRS oversight board, I am asking that the Internal Revenue Service and the Treasury Department—especially at the direction of this new oversight board—take a fresh, new look at this issue and try to determine how we can do better.

In America, when someone decides to begin to do business and risk their capital in order to hold themselves out to do business and earn a profit, when and if they earn that profit, they must pay an income tax. The reason for that is, we tax profits and we tax income in order to pay for our common defense, in order to build roads, and do a whole series of things in this country that we need to do together. But we have some who do business in this country that pay no taxes. I especially point to the foreign-based multinational firms. The GAO report says they come to this country and approximately 74 percent of them doing business here pay no U.S. income taxes. Those who are listening to this will be surprised to learn that the brand names they are well familiar with every single day, often the brand names on foreign products sold in the U.S., mean that someone has done a lot of business here, made a lot of profit here, and ended up paying zero in income taxes. In my judgment this means they are unfairly competing in this marketplace.

U.S. businesses with whom they compete in this marketplace, if they are doing so only in the U.S., must pay a tax on their income, and so, too, should foreign-based corporations doing business in the United States through their subsidiaries.

Madam President, with that, I yield the floor and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Ms. COLLINS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. SESSIONS). Without objection, it is so ordered.

MORNING BUSINESS

Ms. COLLINS. Mr. President, I ask unanimous consent that there now be a period for the transaction of morning business with Senators permitted to speak for up to 5 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE VERY BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, at the close of business Friday, May 1, 1998, the federal debt stood at $5,501,155,718,728.09 (Five trillion, five hundred one billion, one hundred fifty-five million, seven hundred eighteen thousand, seven hundred twenty-eight dollars and nine cents).

One year ago, May 1, 1997, the federal debt stood at $5,338,453,000,000 (Five trillion, three hundred thirty-eight billion, four hundred fifty-three million).

Twenty-five years ago, May 1, 1973, the federal debt stood at $456,190,000,000 (Four hundred fifty-six billion, one hundred ninety million) which reflects a debt increase of more than $5 trillion—$5,044,965,718,728.09 (Five trillion, forty-four billion, nine hundred sixty-five million, seven hundred eighteen thousand, seven hundred twenty-eight dollars and nine cents) during the past 25 years.

MESSAGES FROM THE HOUSE RECEIVED DURING ADJOURNMENT

ENROLLED BILL SIGNED

Under the authority of the order of the Senate of January 7, 1997, the Secretary of the Senate, on May 1, 1998, during the adjournment of the Senate, received a message from the House of Representatives announcing that the Speaker has signed the following enrolled bill:

H.R. 3579. An act making supplemental appropriations for the fiscal year ending September 30, 1998, and for other purposes.

Under the authority of the order of the Senate of January 7, 1997, the enrolled bill was signed on May 1, 1998, during the adjournment of the Senate, by the President pro tempore (Mr. THURMOND).

EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC–4690. A communication from the Administrator of the Farm and Foreign Agricultural Services, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Dairy Indemnity Payment Program'' (RIN0560–AF30) received on April 23, 1998; to the Committee on Agriculture, Nutrition, and Forestry.

EC–4691. A communication from the Administrator of the Farm and Foreign Agricultural Services, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Cooperative Marketing Associations'' (RIN0560–AF33) received on April 23, 1998; to the Committee on Agriculture, Nutrition, and Forestry.

EC–4692. A communication from the Administrator of the Farm and Foreign Agricultural Services, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Subordination of Direct Loan Basic Security to Secure a Guaranteed Line of Credit'' (RIN0560–AE92) received on April 28, 1998; to the Committee on Agriculture, Nutrition, and Forestry.